MARKETING

PRINCIPLES & STRATEGY

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Electric has a very diverse product mix. Its lines vary by industry, and they include consumer goods, industrial goods, and services.

The breadth, depth, and consistency of a company's product mix pose some important strategic issues that we will consider in Chapter 22 when we discuss strategic planning.

THE PRODUCT LIFE CYCLE

The marketing strategy for a brand or product line cannot stay constant over a **product's life cycle**, that is, the phases through which a product goes from introduction to growth to maturity and decline. Variations in positioning, advertising, pricing, and distribution strategies occur in each of these stages.

LIFE CYCLES FOR PRODUCT CATEGORIES AND BRANDS

The concept of a life cycle can apply to product categories as well as to brands. Consider the automobile. As a product category, the automobile's life cycle extends over decades and is now in its mature phase since automobile sales have been fairly level in recent years.

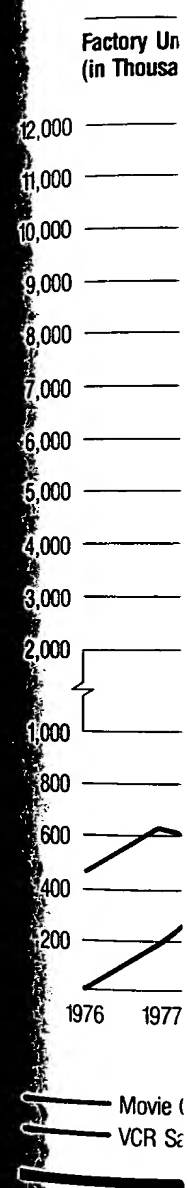
Defining a product category as "the automobile" is probably too broad for strategic purposes, though. More specific categories could be defined such as compact cars, luxury cars, or station wagons. The life cycle of these categories would have more strategic relevance. The compact car, for instance, is now about 30 years into its life cycle; it is currently moving from a growth to a mature phase since sales have leveled off after a rapid spurt due to the energy crisis. Brands of cars such as Honda's Acura have their own life cycles. The Acura is in its introductory phase.

Our interest is primarily in the life cycles of brands, since they are the focal point for strategy development. But brand managers must also be aware of the life cycle for the product category, because brand sales are often tied to product category sales. The decrease in the demand for cigarettes has hurt most brands with some exceptions such as Marlboro. The failure of RCA's Selectavision was due more to the shortcomings of the product category, videodiscs, than to problems with RCA's brand.

Figure 11.4 shows the sales curves for movie cameras and for VCRs, with movie cameras in the declining stage and VCRs in the growth stage of their respective life cycles. The reason movie camera sales are declining is the increase in sales of video cameras whose pictures can be played on VCR equipment. The movie-camera life cycle proved disastrous for Polaroid. The company introduced its Polavision system that instantly develops movie film in 1976, just at the end of the increase in movie camera sales. The company failed to see the effect of the advent of the VCR market on movie cameras. Similarly, Kodak was late in switching out of the eight-millimeter camera market into video camera products and lost any competitive advantage to Japanese manufacturers such as Sony and Panasonic.

STAGES OF THE PRODUCT LIFE CYCLE

Figure 11.5 shows the traditional, bell-shaped sales curve for a product or brand as it passes through the life cycle stages of introduction, growth, maturity, and decline. These stages tend to be associated with certain types of brand strategies shown at the top of the figure: brand development, reinforcement, revitalization, harvesting, and possibly revival. The figure also shows the strategic o



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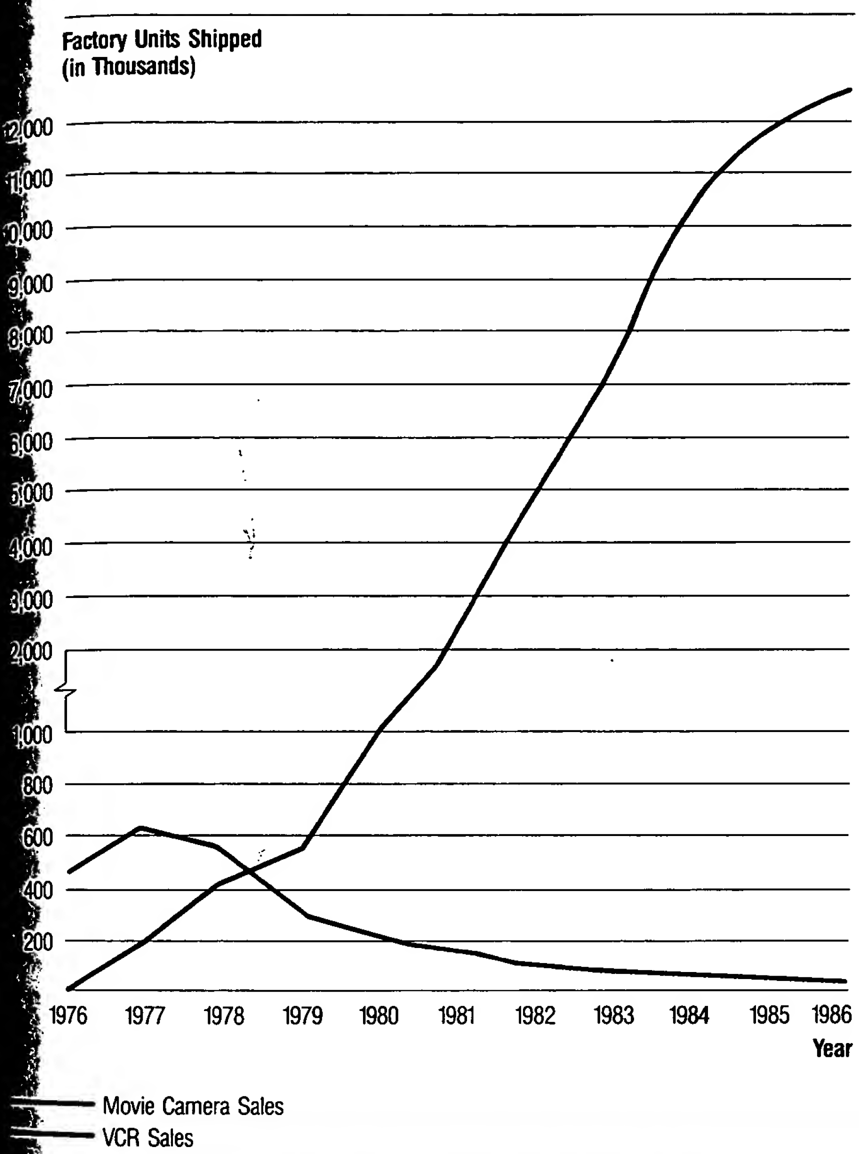


FIGURE 11.4
Product Life Cycle for Movie Cameras and VCRs

Sources: Movie Camera Sales from *Predicasts' Basebook*, 1987, p. 663. VCR Sales for 1976-1980 from "Sales of Home Movie Equipment Falling as Firms Abandon Market, Video Grows," *The Wall Street Journal*, March 17, 1982, p. 29; VCR Sales for 1981–1986 from *Statistical Abstract of the U.S.*, 1987, Table 1356, p. 751.

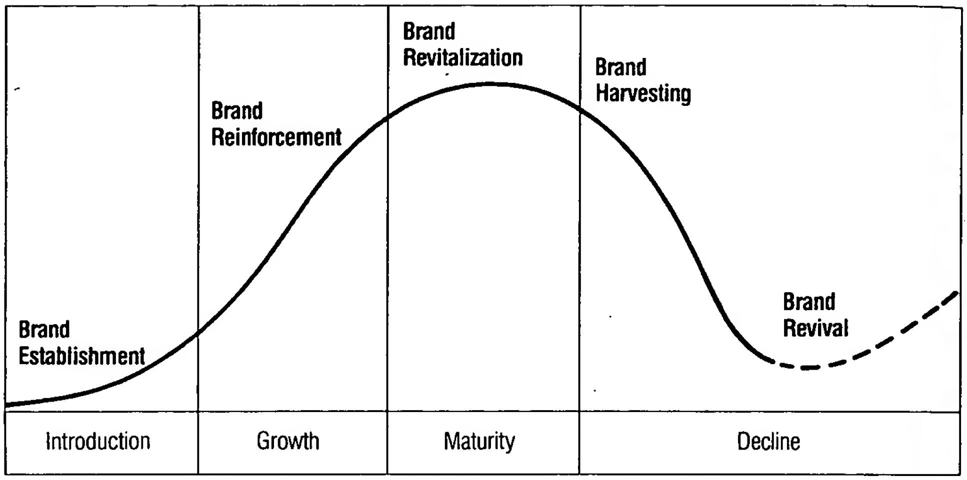
ives as well as the four Ps — product, place (distribution), promotion, and price strategies — associated with each stage. In the following paragraphs, we will look more closely at each stage in the life cycle.

The Introductory Stage

When a brand is first introduced, the main purpose of marketing strategy is to establish it, not only with consumers, but with wholesalers and retailers as well. **Brand establishment** thus entails building a distribution network to make the product available to consumers and convincing consumers to try the product.

The product must have some competitive advantage in terms of quality or cost in order to attract consumers. The goal of advertising is to inform them of these benefits. To influence wholesalers and retailers to stock a brand, firms may

FIGURE 11.5
Marketing Strategies over a Brand's Life Cycle



	Introduction	Growth	Maturity	Decline	
Marketing Objectives	Encourage trial Establish distribution	Get triers to repurchase Attract new users	Seek new users or uses	Reduce marketing expenses Keep loyal users	Reestablish market position
Product Objectives	Establish competitive advantage	Maintain product quality	Modify product	Maintain product	Reintroduce original or modified product
Distribution Objectives	Build distribution network	Solidify distribution relations	Provide additional incentives to ensure support	Eliminate trade allowances	Reestablish distribution network
Promotional Objectives	Build brand awareness	Provide information	Reposition the product	Eliminate advertising and sales promotions	Use reminder advertising
Pricing Objectives	Use skimming or penetration pricing	Maintain prices	Reduce prices to meet competition	Maintain prices	Set competitive prices

offer favorable trade discounts and allowances for advertising and in-st promotions.

Brand managers can follow two types of pricing strategies in the introdu stage. As we noted in Chapter 8, with a **penetration strategy**, the brand is in duced at a low price to induce as many consumers as possible to try it. A pene tion strategy is usually coupled with the use of price deals and coupons, par larly for food products and toiletries. With a **skimming strategy**, the bra

introduced at a high price so as to maintain a select image and appeal to a smaller target segment. As competition intensifies, prices are slowly lowered.

Coca-Cola's successful introduction of Minute Maid Fruit Juice bars in 1986 illustrates the basic principles of brand establishment. The booming frozen fruit bar market was dominated at the time by Dole's Fruit 'N Juice bars and General Foods' JELL-O Pudding Pops. Coca-Cola began by purchasing a small company that produced fruit juice bars with a unique wrapper that avoided a drippy bar on a stick, then leveraged the Minute Maid name by putting it on the product. To establish a competitive advantage, the company decided to target the children's market, leaving the nutritionally oriented adult market to the leader, Dole. To build brand awareness and encourage consumers to try the new product, it launched a multimillion-dollar marketing campaign that included TV spots, 120 million coupons, and a special in-store freezer compartment promotion. Coca-Cola already had a 300-person Minute Maid salesforce, so distribution was no problem. A penetration strategy was chosen for the price: Its bar sold at an average price of 27 cents per portion compared to Dole's 43 cents.

The Growth Stage

A brand enters the growth stage when sales increases are sustained and the brand begins to become profitable. If it is an innovation, by this time it will have attracted competitors. When Minnetonka introduced the first liquid soap, 42 competitors appeared on the market after only one year.[31]

The main objective of the growth phase is **brand reinforcement**, that is, to reinforce the brand's position by getting consumers who have tried the brand to repurchase it, and by continuing to attract new users. If a substantial number of first-time purchasers do not rebuy, the brand will fail.

Marketing mix strategies during the growth stage are all aimed at maintaining and building upon the competitive advantages won during the introductory stage. The primary product objective is to maintain product quality, although if competition is intense, a company may have to add new features, improve packaging, or add services. The objective of distribution strategies is to solidify relations with distributors by continuing to offer trade discounts and allowances. At the same time, the company will seek additional outlets in areas where brand sales are weak. During this stage an attempt is made to maintain prices; occasionally, however, prices must be reduced due to competitive pressure, as in Minnetonka's case when it lowered its price as competitors entered the liquid soap market.

Whereas the promotional goal of the introductory stage was to create brand awareness and encourage users to try the product, the goal of the growth stage is to inform consumers about brand performance. Gallo reinforced its successful 1985 entry of Bartles and Jaymes wine cooler by allocating over $20 million to its advertising campaign, which featured two crafty old sidekicks named Frank Bartles and Ed Jaymes touting the product in a folksy manner. To further strengthen distribution for the brand, Gallo salespeople have been carrying video machines to show prospective retailers upcoming commercials of Bartles and Jaymes. Gallo's strategy has made Bartles and Jaymes the leading wine cooler, overtaking the original entrant, California Coolers.[32]

The Maturity Stage

During the maturity stage, sales begin to level off because of increasing competition. The brand attracts few new buyers; instead, it relies on repeat purchases to